



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **SB 1** SLS 09RS 199  
Bill Text Version: **REENGROSSED**  
Opp. Chamb. Action: **w/ HSE FLOOR AMD**  
Proposed Amd.:  
Sub. Bill For.:

<b>Date:</b> June 23, 2009	11:26 AM	<b>Author:</b> CHAISSON
<b>Dept./Agy.:</b>		
<b>Subject:</b> Funds - Constitutional Amendment		<b>Analyst:</b> Travis McIlwain

FUNDS/FUNDING REF SEE FISC NOTE SD EX See Note Page 1 of 2

Constitutional amendment to authorize limited redirection and transfer of funds supporting appropriations and allocations from the state general fund and dedicated funds in certain circumstances. (2/3-CA13s1(A))  
Current law limits the reduction to any constitutionally protected or mandated allocations or appropriations to the lesser of 5% or the amount of the budget deficit, and only when state general fund allocations or appropriations have been reduced by at least 7/10 of 1%, or 0.7% (Art VII, Sec 10(F)(2)). There is a 1% reduction limit to the Minimum Foundation Program (MFP) with no reductions in instructional activities and an exclusion for certain funds. If the official forecast for the next fiscal year is at least 1% less than for the current fiscal year, 5% of constitutionally protected or mandated allocations or appropriations in the current fiscal year shall be available for general use in the next fiscal year. The 1% limitation associated with the MFP applies in this case, as well. Proposed law changes the allowable reductions in constitutionally protected or mandated allocations or appropriations in both cases above from 5% to 10%. Proposed law provides that any adjustments in excess of 5% shall not be effective unless approved by the legislature by a favorable vote of the majority. Proposed legislation provides for the federal funding received from the **(Continued on Page 2)**

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

When the legislature notifies the governor of a current year deficit, this proposed constitutional amendment will allow the legislature to reduce up to 10% of constitutionally protected or mandated allocations or appropriations as opposed to 5%, which is currently within the constitution, to balance a current year budget, excluding the Transportation Trust Fund, the Conservation Fund and all funds derived from fees and assessments from not only the additional 5% reduction this constitutional amendments provides for, but also does not allow the governor/legislature the ability to reduce certain funds.

Proposed fund exclusions, as proposed by House amendments, will preclude the state legislature/governor the ability to utilize up to \$69.4 million to balance a projected deficit, which is based upon current law of 5%. However, by increasing the potential reduction from 5% to 10%, the legislature/governor will have an additional \$46.1 million available in FY 10 to balance a potential FY 10 deficit. Included within HB 1 (ENROLLED) is \$3.7 billion budgeted for statutory dedicated funds. Based upon House amendments, approximately \$1.4 billion of the \$3.7 billion will presumably be completely excluded from a potential reduction of up to 10%. The \$1.4 billion exclusion is as follows: \$729.2 million - fee/assessment derived funds, \$590.4 million for TTF-Regular & TTF-Timed, and \$67.7 million - Conservation Fund. See Table below based upon HB 1 ENROLLED with contingencies.

Current Law provides for up to 5% reduction		With specific fund exclusions up to 10%	
Total Statutory Dedications	\$3,697,763,849	Total Statutory Dedications	\$3,697,763,849
5% Reduction Available	\$184,888,192	Less: Fee/Assessment Funds	(\$729,201,137)
		Less: TTF-Regular/TTF-Timed	(\$590,439,427)
		Less: Conservation Fund	(\$67,764,539)
		Adj. Total Statutory Dedications	\$2,310,358,746
		10% Reduction Available	\$231,035,875

Essentially these dedicated fund budget authority reductions force a fund balance which is then transferred into the state general fund. The FY 09 Deficit Reduction Plan reduced statutory dedicated budget authority \$24.4 million, while HB 802 of the 2009 Regular Legislative Session will direct the state treasurer to transfer those forced fund balances into the state general fund to alleviate the FY 09 deficit. **(Cont. on Page 2)**

REVENUE EXPLANATION

This legislation provides for the federal stimulus monies to be included within the adopted revenue forecast. Currently, the state's revenue estimate only consists of state dollars. Presumably, as federal monies are depleted, the overall revenue forecast will decrease, which will allow for the trigger of certain budget balancing items such as the governor's 3% interim budget balancing powers and the 5%-10% reduction in dedicated funds and state general fund. **(Cont. On Page 2)**

Senate	Dual Referral Rules	House	
<input type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost	<div>H. Gordon Monk</div> <div>H. Gordon Monk Legislative Fiscal Officer</div>
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease	



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**CONTINUED EXPLANATION from page one:** Page 2 of 2

American Recovery and Reinvestment Act of 2009 may be included within the adopted revenue forecast. Proposed legislation with House amendments protects the Transportation Trust Fund (TTF), the Conservation Fund and all funds derived from fees and assessments from the 10% total potential reduction allowable under proposed constitutional amendment. This bill provides for submission of the proposed amendment to the voters at the congressional election to be held on October 2, 2010.

**CONTINUED EXPENDITURE EXPLANATION**

To reduce the FY 09 deficit, the governor and legislature reduced statutory dedicated expenditure authority in the amount of \$24.4 million, which at the time (January 2009) represented a 0.64% reduction of the total appropriated statutory dedicated budget authority of \$3.8 billion. This legislation also allows for the state general fund to be reduced an additional 5%, or up to 10%.

This bill with House amendments provides that the federal monies received from the American Recovery and Reinvestment Act of 2009 may be included within the official revenue forecast. Including the federal stimulus monies within the adopted revenue forecast will increase the overall monies available for expenditure, but could also allow for the trigger of certain budget balancing items such as the governor’s 3% interim budget balancing powers, the 5%-10% reduction in dedicated funds, and access to the Budget Stabilization Fund in subsequent fiscal years when stimulus monies will be depleted as opposed to this not happening due to projected state general fund forecasts alone.

**CONTINUED REVENUE EXPLANATION**

According to the Division of Administration (DOA), the amount of federal stimulus dollars that could be included within the revenue forecast from FY 10 to FY 12 is as follows: FY 10 - \$1,009,049,805, FY 11 - \$1,006,875,944, FY 12 - \$230,000,000.

SB 34 of the 2009 Regular Legislative Session is the companion legislation to SB 1. SB 34 amends these similar provisions in statute.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	<u>H. Gordon Monk</u>
<input type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost	<b>H. Gordon Monk</b>
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease	<b>Legislative Fiscal Officer</b>